

Message Text

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PAGE 01 STATE 191612
ORIGIN TRSE-00

INFO OCT-01 SS-04 ISO-00 /005 R

66011
DRAFTED BY:TREAS:DION
APPROVED BY:S/S-O:KDSCOTT
-----013429 290440Z /13
R 282227Z JUL 78
FM SECSTATE WASHDC
INFO AMEMBASSY LONDON 8110

C O N F I D E N T I A L STATE 191612

LIMDIS GREENBACK

FOLLOWING REPEAT ROME 13906 ACTION SECSTATE TREAS DEPT WASHDC INFO
BONN BRUSSELS PARIS TOKYO DATED JUL 28:

QTE: C O N F I D E N T I A L ROME 13906

LIMDIS GRRENBACK

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EO 11652: GDS
TAGS: EFIN, IT, EEC
SUBJ: ITALIAN REACTION TO JULY 24 EC FINANCE CONCIL MEETING

1. ACCORDING TO SILVANO PALUMBO, TREASURY'S DIRECTOR
GENERAL FOR INTERNATIONAL RELATIONS, THE DISCUSSIONS AT
THE JULY 24 MEETING REMAINED ON A GENERAL PLANE. HR
SAID, HOWEVER, THAT HE RECEIVED THE CLEAR IMPRESSION
THAT, WHILE GERMANY AND FRANCE MAY BE IN AGREEMENT
ABOUT THE ULTIMATE GOAL OF EUROPEAN MONETARY UNION,
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THERE ARE BASIC DIFFERENCES BETWEEN THE TWO ON SPECIFICS.
HE CLAIMED THAT THEIR DIFFERENCES OVER THE ISSUE OF THE
ECU VS. CENTRAL RATES WOULD BE DIFFICULT TO RESOLVE. HE ALSO
THOUGHT THAT THE TRANSFER OF RESOURCE ASPECT WOULD PIT
GERMANY, HOLLAND AND, TO SOME EXTENT, BELGIUM AGAINST
THE REST OF THE COMMUNITY.

2. PALUMBO CONFIRMED DURING HIS REMARKS TO TREASATT THAT AT THE TECHNICAL LEVEL OF THE GOVERNMENT THERE IS CONSIDERABLE SKEPTICISM ABOUT MONETARY UNION. HOWEVER, ITALY IS COMMITTED TO THE COMMUNITY POLITICALLY AND SO IT MUST MAKE AN EFFORT TO PARTICIPATE. PALUMBO SAID, IN EFFECT, THAT THESE WERE THE INSTRUCTIONS WHICH HAD COME FROM THE TOP. ITALY'S INFLUENCE ON THE ON-GOING NEGOTIATIONS MAY HAVE BEEN REDUCED BY ERCOLANI'S RETIREMENT AS DIRECTOR GENERAL FROM THE BANK OF ITALY. ERCOLANI HAD TAKEN A PERSONAL INTEREST IN THIS MATTER AND WAS A VERY ARTICULATE SPOKESMAN WITH A HELATHY SKEPTICISM FOR MONETARY UNION AT THE PRESENT TIME. HE HAS BEEN REPLACED AS THE BANK OF ITALY'S REPRESENTATIVE BY AN ARDENT ADVOCATE OF MONETARY UNION IN THE PERSON OF ECONOMIC COUNSELOR MAGNIFICO. GOVERNOR BAFFI, HOWEVER, IS VERY MUCH IN COMMAND AT THE BANK AND HE REPORTEDLY HAS SERIOUS RESERVATIONS ABOUT THE BENEFITS TO ITALY OF JOINING THE TYPE OF MONETARY UNION INCORPORATED IN THE GISCARD/SCHMIDT PROPOSAL. GARDNER UNQTE VANCE

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCE, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 28 jul 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE191612
Document Source: CORE
Document Unique ID: 00
Drafter: TREAS:DION
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780311-0431
Format: TEL
From: STATE
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t1978077/aaaaagen.tel
Line Count: 81
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 09644977-c288-dd11-92da-001cc4696bcc
Office: ORIGIN TRSE
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 18 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2039217
Secure: OPEN
Status: NATIVE
Subject: ITALIAN REACTION TO JULY 24 EC FINANCE CONCIL MEETING
TAGS: EFIN, IT, EEC
To: USEEC
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/09644977-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014